

Joint Resolution (Act 95): Summary of Process and Recommendations

Presented to the House Ways and Means Committee

Santee Cooper Ad Hoc Committee

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Energy+Environmental Economics

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Agenda

1. Santee Cooper Reform Plan
2. Management Proposal – Dominion Energy
3. Bid for Sale – NextEra Energy
4. Joint Resolution Process Results

Santee Cooper Reform Plan



Santee Cooper Reform Plan

Potential Benefits

 **Rates**
Provides lowest customer rates; reduces customer rates by \$2.3 billion over 20 years as compared to Santee 2019 budget

 **Generation Modernization**
Retirement of coal and addition of new natural gas, solar, and battery storage

 **Debt Payoff**
Pays down \$4.7 billion by 2039

 **No Layoffs**
Staff reductions accomplished through retirement and retraining

 **Governance Improvements (Structure)**
More oversight and stakeholder engagement

 **Central Improvements (Culture)**
Concession on several key terms in contract

 **Safety and Reliability**
Santee likely to continue excellent track record

 **State Control**
Control of utility stays within South Carolina

Additional Considerations

 **Litigation**
Does not resolve Cook litigation

 **Track Record (Management)**
Santee Cooper does not have a track record of generation modernization as contemplated in Reform Plan

 **Governance Changes (Structure)**
Proposed changes could go further for more oversight on pricing and planning

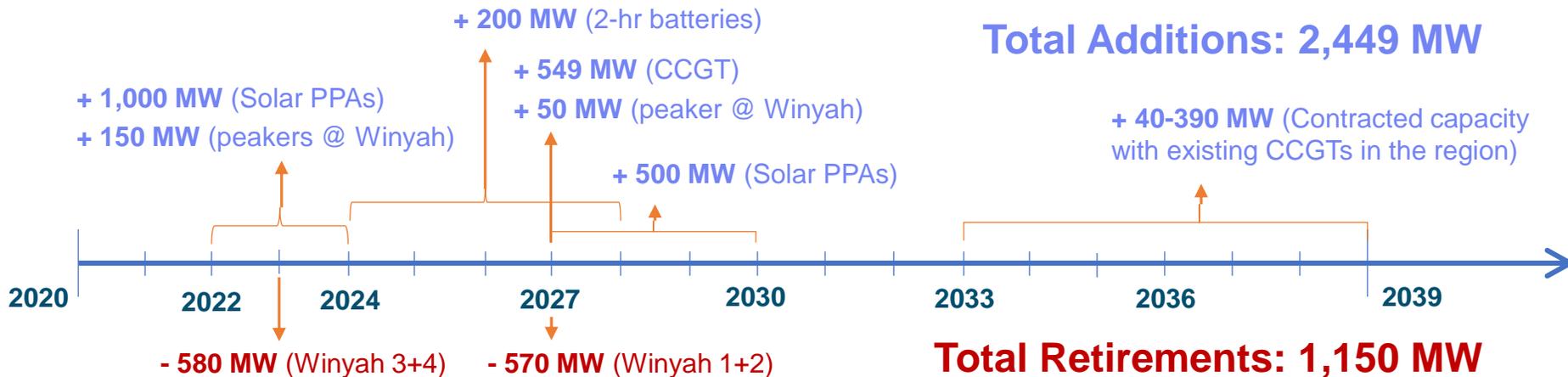
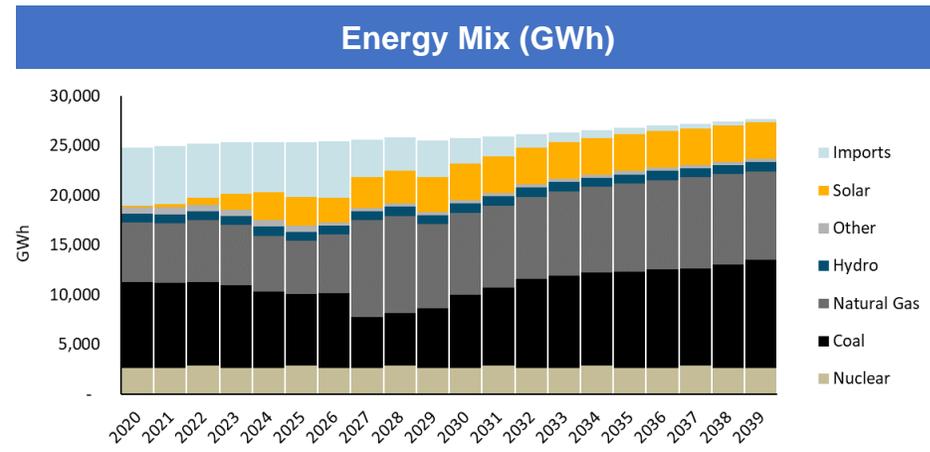
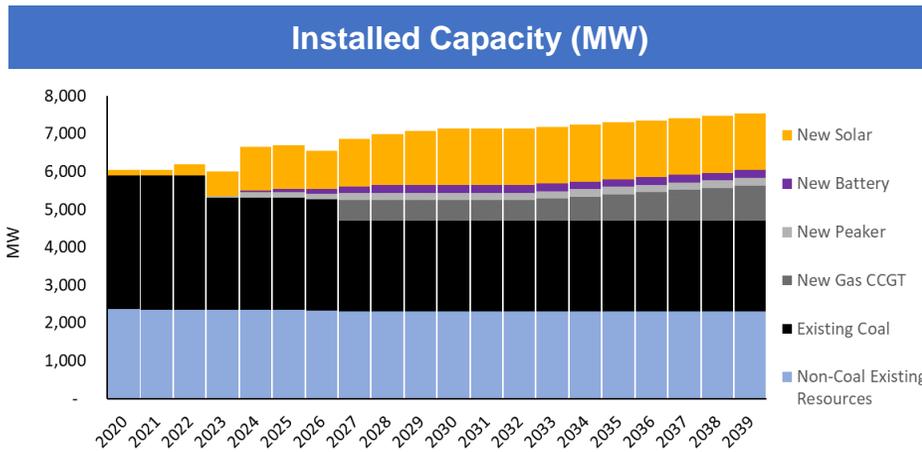
 **Central Relationship (Culture)**
Relationship remains strained due to historical friction and fundamental disagreements

 **Necessary Codification**
Without legislative codification of Reform Plan, progress created by JR could be lost

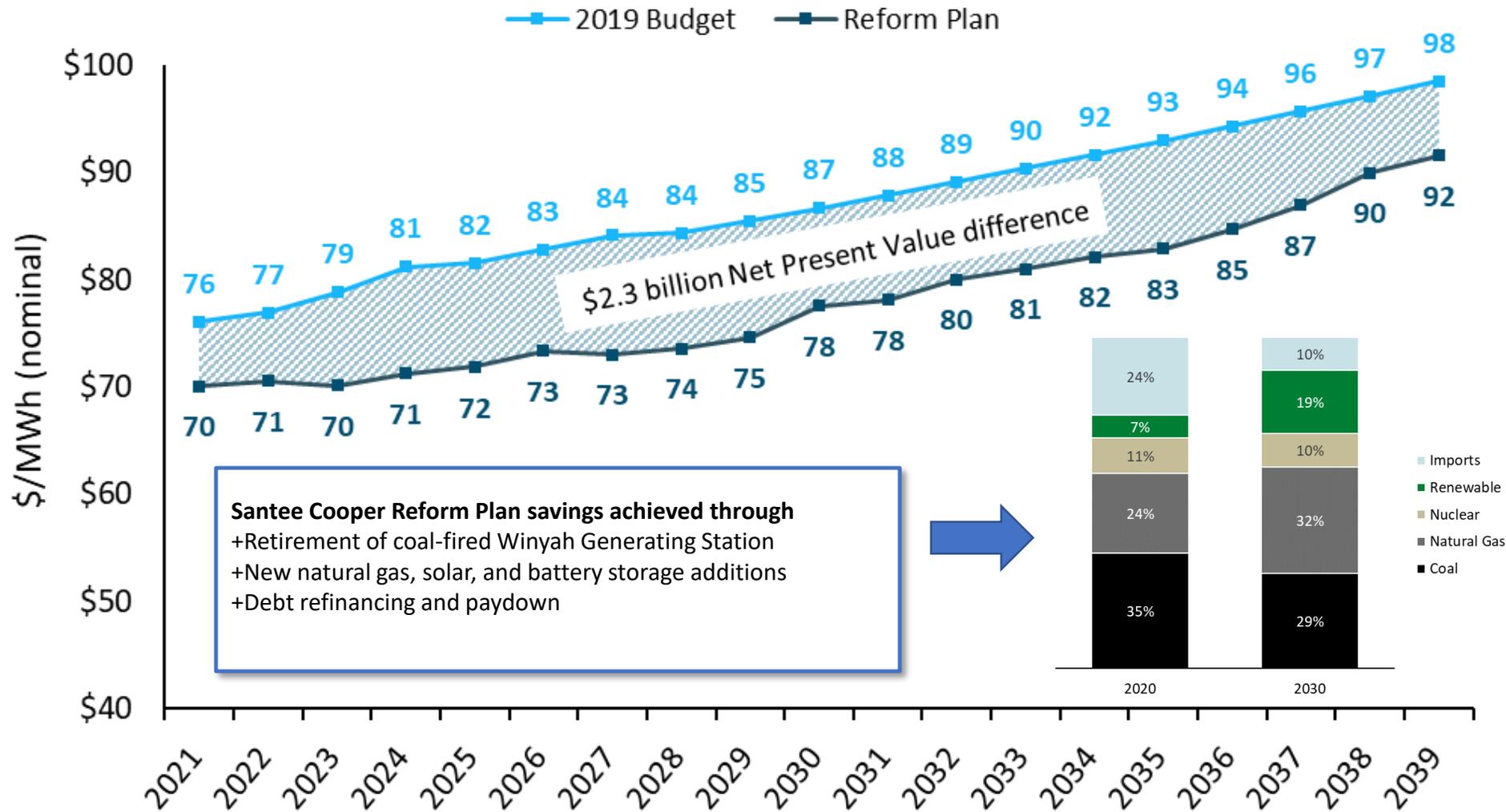


Proposed Santee Cooper Generation Mix

- **Santee Cooper modernizes generation mix through:**
 - Retirement of the Winyah coal station
 - New additions of natural gas, solar, and battery storage



Projected Santee Cooper Rates Under Reform Plan



Management Proposal — Dominion Energy



Dominion Management Proposal

Potential Benefits



No Management Fee

Santee Cooper only reimburses costs of Dominion employees placed at Santee Cooper



Management

Dominion would place three of its executives as senior managers at Santee Cooper (and would consider placing one as CEO)



Synergies

Possible synergistic efficiencies and savings with Dominion



Limited Duration

Management contracts lasts 10 years with option to extend



Track Record

Dominion is a large and well-respected investor owned utility



Central Relationship

Central has expressed positive view in dealing with Dominion; Dominion employees will be Santee Cooper's primary point of contact with Central

Additional Considerations



Debt

Debt remains outstanding



Litigation

Does not resolve Cook litigation



Implementation

Dominion managers still subject to oversight from Santee Cooper CEO and Board



Reform

Benefits of proposal may not be realized without additional reform at Santee Cooper



Conflict of Interest

Potential for Dominion managers to pursue synergistic savings with Dominion ahead of internal Santee savings



Savings

The proposed synergistic savings are difficult to quantify



Bid for Sale — NextEra Energy



Key Terms of NextEra Bid for Sale

- Defeases 100% of debt at closing and covers all defeasance costs
- Provides payment to State and allows the State to keep Santee Cooper balance sheet cash to cover estimated liabilities left behind
- Offers solution to Cook litigation and additional credits for ratepayers

| Sources of Funds | \$ millions | SCP&L Capitalization | \$ millions | Uses of Funds | \$ millions |
|---------------------------|----------------|----------------------|----------------|------------------------------------|----------------|
| NextEra Cash Contribution | 5,410.3 | SCP&L Equity | 2,929.5 | Santee Cooper Bonds Outstanding | 6,553.1 |
| Corporate Bonds | 2,720.5 | SCP&L Debt | 2,720.5 | Santee Cooper Commercial Paper | 306.2 |
| Securitization Bonds | 1,330.8 | SCP&L Rate Base | 5,650.0 | Debt Defeasance Penalties | 1,046.2 |
| | | | | Payment to State | 500.0 |
| | | | | Funding of Escrow | 100.0 |
| | | | | Reimbursement of Transaction Costs | 15.0 |
| | | | | Customer Refunds & Credits | 941.0 |
| | | | | for Cook litigation | 541.0 |
| | | | | for all ratepayers | 400.0 |
| TOTAL | 9,461.5 | | 5,650.0 | | 9,461.5 |

| Certain Known Remaining Liabilities | |
|-------------------------------------|-----------|
| Employee Benefits | |
| Pension | \$309.7mm |
| OPEB | \$186.7mm |
| SERP | \$13.6mm |
| Accrued vacation | \$14.4mm |
| TOTAL \$525mm | |



NextEra Bid for Sale

Potential Benefits

-  **Debt Defeasance**
Immediately pays off all debt, including early repayment penalties
-  **Litigation**
Provides roadmap and resources to resolve Cook litigation through \$541 million ratepayer credit and the payment of plaintiffs' lawyers' fees
-  **Rate Credits**
Provides additional \$400 million to all ratepayers upfront

-  **Payments to State**
Provides \$515 million to State at closing
-  **Return of Santee Cooper Cash**
Approximately \$500 million of balance sheet cash goes to the State
-  **Synergistic Savings**
Opportunity for meaningful savings by combining operations with other NextEra utilities such as FPL

-  **Generation Modernization**
Retires coal and replaces it with a combination of new natural gas, solar, and battery storage
-  **Track Record**
NextEra is a large and well-respected investor-owned utility
-  **Central**
Includes a proposed Power Purchase Agreement (PPA) agreed upon with Central
-  **Assets**
NextEra Bid for Sale takes all assets including lakes and water system

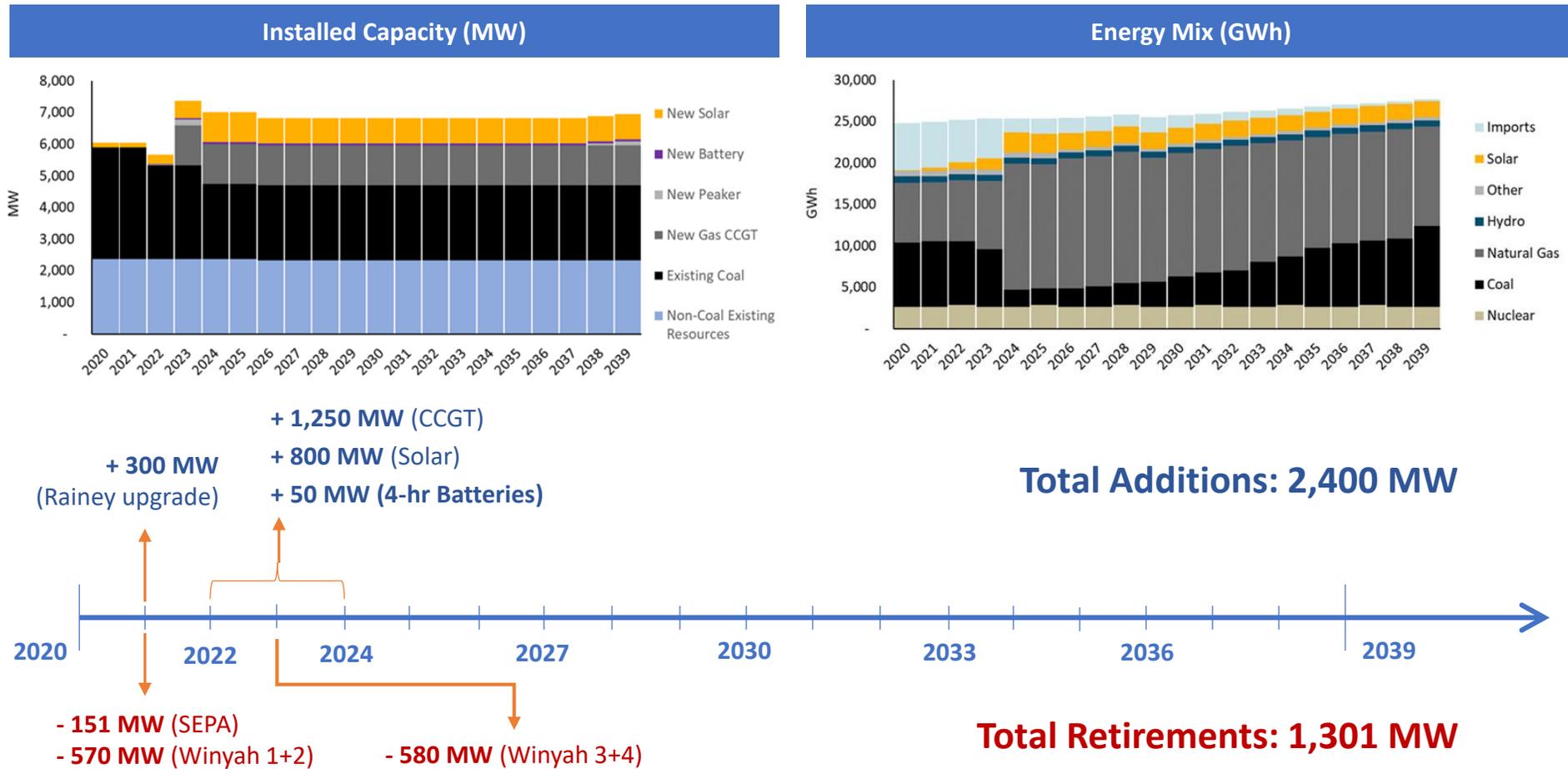
Additional Considerations

-  **Rates**
Rates frozen for first four years; 10% lower than Santee Cooper reform proposal for first four years, then 5% higher for remaining years. Overall <1% NPV (\$161 million). Higher over 20 years than Santee Cooper reform proposal
-  **Legislative Ask**
Comprehensive legislation bypasses traditional Public Service Commission oversight and opportunity for public stakeholder engagement by pre-approving:
 - Rates for four years
 - \$2.3 billion in new generation capital expenditures
 - Fee-in-lieu of taxes provisions
 - Securitization bonds
 - Non-standard depreciation with opportunity to defer costs after the four-year fixed rate period

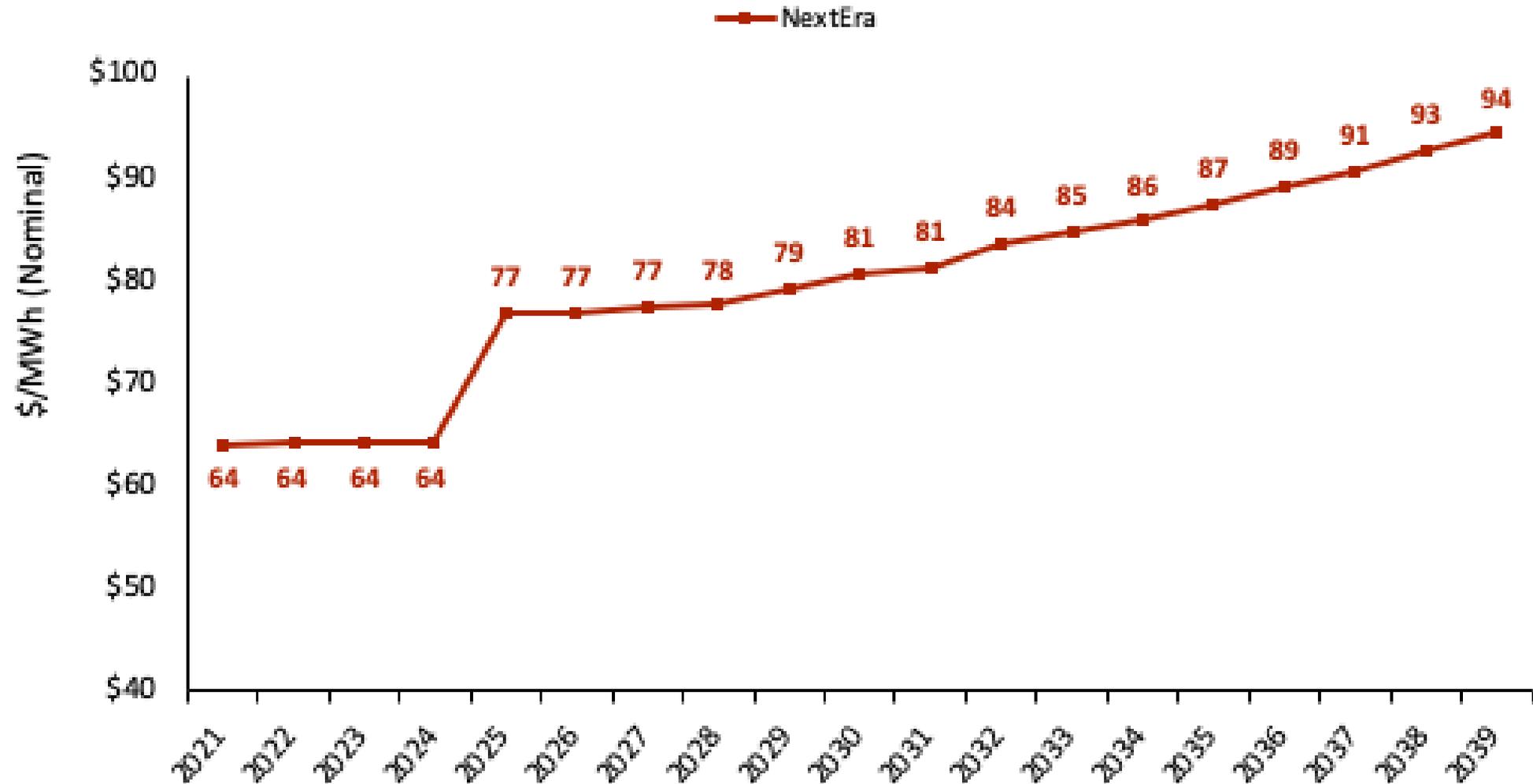
-  **Headcount Reduction**
Immediately lays off 300 employees and ultimately reduces 660 employees below Reform Plan by 2025
-  **Out-of-State Reporting**
Management will be based in Moncks Corner but will report to NextEra leadership in Juno Beach, FL
-  **Liabilities**
Most pre-closing liabilities will remain behind

NextEra Bid for Sale Generation Mix

- **NextEra modernizes generation mix through:**
 - Accelerated retirement of the Winyah coal station
 - Early, large addition of CCGT in Fairfield County, plus solar and battery storage additions



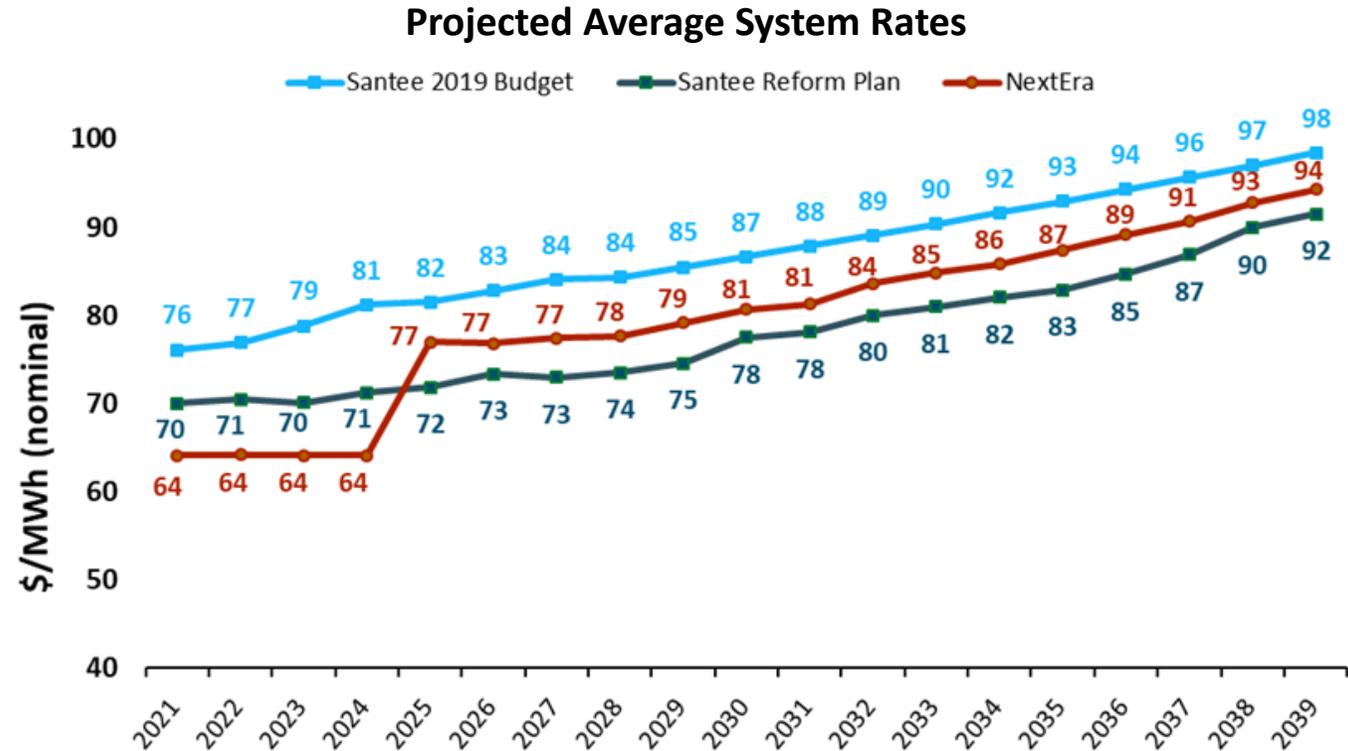
Projected NextEra Rates Under Bid for Sale



Joint Resolution Process Results

Joint Resolution Process Results

- Joint Resolution has produced significant savings for both Santee Cooper Reform Plan and NextEra Bid for Sale (as compared to rates under Santee 2019 budget)
- Both Santee Cooper Reform Plan and NextEra Bid for Sale have similar generation mixes – major difference is timeline to implement
- Both Santee Cooper Reform Plan and NextEra Bid for Sale reflect similar rates over 20 years
 - Santee Cooper saves \$2.3 billion (NPV) over 20 years compared to Santee 2019 budget
 - NextEra Bid for Sale is <1% (\$161 million) NPV more than Santee Cooper Reform Plan



Questions